

# Media Release

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## **Government approval of dodgy clinics as ‘hospitals’ is fuelling the cosmetic cowboy crisis and enabling Medicare and private health insurance fraud**

Private Healthcare Australia (PHA) is calling for an urgent review of the process by which hospitals are accredited and declared eligible to receive health fund benefits in light of shocking revelations in the media about poor quality and safety in the cosmetic surgery sector.

“We were horrified to discover some of cosmetic surgery clinics identified in the recent media investigation by The Age, SMH and 60 Minutes had somehow been declared private hospitals under the *Private Health Insurance Act 2007*, a process that can only be undertaken by state and federal governments,” said PHA CEO Dr Rachel David.

“This means private health funds and Medicare are legally obliged to pay claims with a Medicare Benefits item number that occur in these facilities, regardless of the quality, safety and appropriateness of the services performed.

“Health funds and Medicare do not cover cosmetic surgery, so it raises the question - why on earth these declarations were made, and were these premises ever inspected by anyone?”

Australian health funds are required by law to pay benefits at 85 per cent of the contracted price\* for Medicare-eligible private hospital treatment even if they do not have a contract with the hospital, so long as the facility has been approved by state and federal governments.

“Something has clearly gone wrong with the approval process. No facility should be declared a hospital by ticking a box. The facility needs to be inspected and subjected to ongoing monitoring. This is a public safety issue.

“Forcing health funds to pay for poor quality and low-value services puts unnecessary upward pressure on private health insurance premiums and with cost of living on the rise, Australian families can ill-afford to be funding questionable healthcare. There is also the significant possibility fraud is occurring, with non-Medicare eligible procedures being billed to Medicare and the health funds.

“Health funds will continue to call out waste in the system, low-value care and outdated regulation, all of which contribute to PHI premiums being higher than they should be.”

In addition to cosmetic surgery being performed in unsuitable and poorly maintained premises, PHA and its member funds have become aware of the following inappropriate approvals:

1. Gym facilities approved as inpatient rehabilitation hospitals;
2. Old homes and hotels approved as inpatient mental health and drug & alcohol rehab hospitals without the appropriate modifications to prevent patient self-harm and accidents; and
3. Doctors’ consulting rooms approved as day surgery hospitals where there are no facilities to administer general anaesthesia.

“The Federal Health Minister has indicated the regulation of the industry is now on the agenda for future Ministerial meetings which is good news for patients and health fund members. However, until these facilities are removed from second-tier eligible status, health funds, and therefore their members, are required to pay benefits for any Medicare-eligible services they claim to have provided.

“Health fund members’ money should be funding quality health care in quality facilities. More than 14 million Australians with private health insurance have every right to expect this is the case. Unfortunately, inadequate approval processes and the automatic payment of default benefits means a small group of poor facilities and dodgy providers drag down the reputation of the whole sector, and put upward pressure on health fund premiums.”

\*These payments are known as ‘second tier’ default benefits

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*Private Healthcare Australia is the peak representative body for Australia’s private health insurance industry. PHA represents 23 Australian health funds with a combined membership of over 13 million Australians, or 97% of the sector on membership.*

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